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December 4, 1996

BY HAND DELIVERY

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

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DEC 4 1996

Federal Communications Commission
Office of Secretary

Re: CC Docket No. 96-193
Ex Parte Presentation

Dear Mr. Caton:

On December 3, 1996, Melphine Evans, Chief Financial Officer of Anchorage Telephone Utility ("ATU"), Gordon Parker, ATU's Director of Carrier Relations, Red Boucher, ATU's consultant, and Alane Weixel, ATU's attorney, met with James Casserly, Senior Legal Advisor to Commissioner Ness. At this meeting, ATU reiterated points made in its comments and reply comments filed in CC Docket No. 96-193. In particular, ATU noted that complying with FCC cost allocation manual auditing and ARMIS filing requirements will cost approximately \$500,000; that these increased costs would be coming at time when ATU is streamlining its operations to prepare for competition in the local exchange market; and that these increased costs will inevitably reduce ATU's dividend to its owner, the Municipality of Anchorage, forcing either an increase in municipal taxes or reduction in municipal services.

Beginning in 1997, there will be competition in the Anchorage local exchange market. ATU advised that, even under a best-case scenario, its operating revenues for calendar year 1997 and thereafter are projected to be below the Commission's proposed inflation adjusted revenue threshold for cost allocation manual auditing and ARMIS filing requirements. Thus, ATU would be in the position of expending significant sums to comply with ARMIS and cost allocation manual requirements for a very short period. In comments filed in this proceeding, ATU proposed that the Commission impose ARMIS and cost allocation manual requirements only on carriers with two percent or more of the nation's access lines. Alternatively, ATU urged the Commission to adjust the \$100 million revenue threshold for inflation as

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of 1987, the year that ARMIS and cost allocation manual requirements were first adopted. As another alternative, ATU urged that the Commission codify the approach adopted in its 1987 ARMIS Report and Order, 2 FCC Rcd 5770 (1987), so that cost allocation manual audits and ARMIS reports would be required from only Tier 1 local exchange companies -- that is, LECs whose annual revenues from regulated operations exceed \$100 million for five consecutive years.

Attached is a summary of ATU's comments and reply comments in CC Docket No. 96-193, which was provided to Mr. Casserly.

An original and two copies of this letter and the attachment are being filed with the Secretary.

Respectfully submitted,

MUNICIPALITY OF ANCHORAGE
d/b/a ANCHORAGE TELEPHONE UTILITY



Paul J. Berman
Alane C. Weixel
Its Attorneys

Attachment

cc: Mr. James Casserly

CAM/ARMIS REFORM
CC Docket No. 96-193

The Notice of Proposed Rule Making would impose substantial costs on non-Tier 1 local exchange carriers like ATU.

- ATU estimates that compliance with the CAM auditing and ARMIS filing requirements will cost it as much as \$500,000 in the first year alone.
- CAM and ARMIS costs would come right as ATU is preparing for competition in local exchange services from:
 - GCI, a larger company providing cable television in Anchorage and interexchange services throughout Alaska, and authorized to provide PCS in Alaska, and
 - AT&T Alascom, an AT&T subsidiary providing cellular service in Anchorage and interexchange services throughout Alaska.

There is no legitimate basis for imposing CAM and ARMIS requirements on incumbent LECs without also imposing those same requirements on competitive LECs.

- Meaningful industry monitoring, as suggested by the Notice as a basis for ARMIS reports, needs to encompass both incumbent and competitive LECs.
- Burdening only incumbent LECs with CAM and ARMIS requirements would impair competition in local exchange services by
 - levying regulatory costs on incumbents but not on their competitors, and
 - providing competitive LECs with sensitive business information about incumbents, but withholding from incumbents that same business information about their competitors.

The CAM and ARMIS threshold should be 2% of access lines nationwide.

- This threshold is consistent with the 2% threshold set by Section 251(f) of the Communications Act for LECs to be eligible for suspension or modification of the statutory interconnection, resale and unbundling requirements.
- The 2% threshold will provide the FCC with meaningful industry data from LECs serving urban, suburban and rural areas.
- The 2% threshold will assure that only truly large LECs -- incumbent and competitive -- will be subject to costly ARMIS and CAM reporting and auditing requirements.